



Kurita Water Industries Ltd.

FY2018

Shareholder Relations Meeting

(Securities code: 6370)

February - March 2019

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I | Kurita Group Overview

Company Overview & Shareholder Composition

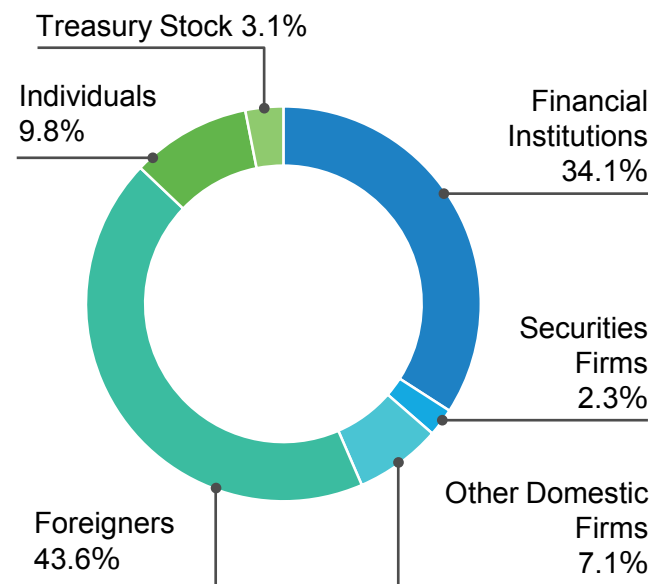
Company Overview

- Name : Kurita Water Industries Ltd.
- Representative : Michiya Kadota, President
- Date of Establishment : July 13, 1949
- Location : Nakano Central Park East, 10-1,
Nakano 4-chome, Nakano-ku, Tokyo
- Fiscal Year-end : March 31
- Stock Exchange Listing : First Section of the Tokyo Stock Exchange
- Paid-in Capital : ¥13,450,751,434
- Issued Common Stock : 116,200,694 shares
- Number of Shareholders : 22,195 (As of September 30, 2018)

Shareholder Composition (Top 10) (as of September 30, 2018)

Rank	Shareholder	Shares (1,000)	Ratio
1	Japan Trustee Services Bank, Ltd. (Trust Account)	8,957	7.70%
2	Nippon Life Insurance Company	5,979	5.14%
3	The Master Trust Bank of Japan, Ltd. (Trust Account)	5,679	4.88%
4	Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,571	2.21%
5	Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,155	1.85%
6	Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,109	1.81%
7	MUFG Bank, Ltd.	2,056	1.76%
8	BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	1,960	1.68%
9	BANK JULIUS BAER AND CO., LTD.	1,748	1.50%
10	STATE STREET BANK AND TRUST CO. 505025	1,614	1.38%

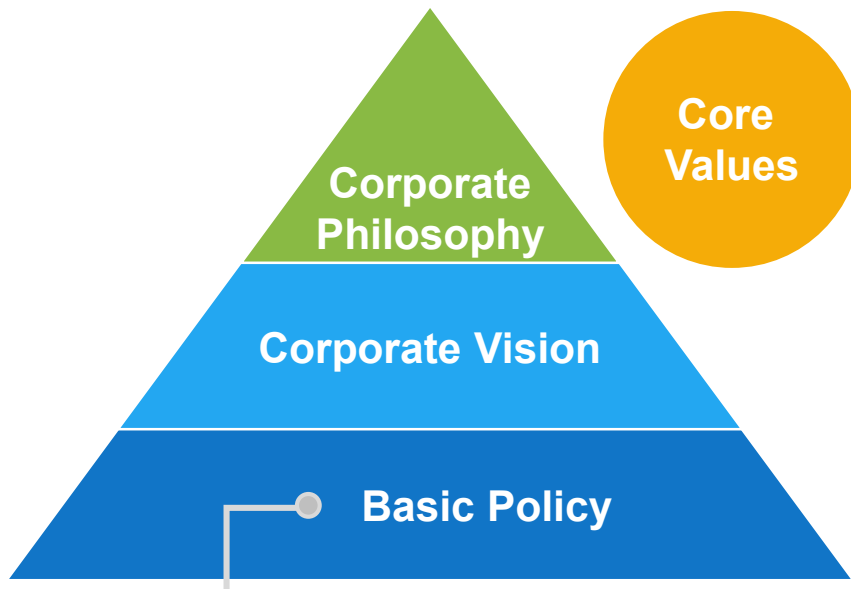
Shareholding Ratio (as of September 30, 2018)



Note: In addition to the above, the company has 3,593 thousand shares of treasury stock.

Japan Trustee Services Bank, Ltd. (Trust Account) includes 327 thousand shares of treasury stock for performance-linked stock compensation to directors.

Systemizing our mission and visions based on the corporate philosophy



1. Kurita Group Code of Conduct
2. Corporate Governance Policies
3. Basic Policies for Constructing an Internal Control System
4. CSR Policy
5. Kurita Group BCM Policy (Business Continuity Management)
6. Kurita Group Business Policy

Corporate Philosophy

Study the properties of water, master them, and we will create an environment in which nature and man are in harmony

Corporate Vision

(Revised April 2018)

“A Creator of unique value to the solution of water and environment,”
contributing to the realization of a sustainable society.

In order for the Kurita Group to continue to grow as it works to realize its corporate philosophy, CSR has been positioned at the heart of management strategy

Definition

The Kurita Group's responsibility for its impacts on society

Objectives

1. Creating and maximizing shared value for the Kurita Group and society
2. Identifying, preventing and mitigating possible adverse impacts by the Kurita Group

CSR Policy

Provide solutions to issues related to water and the environment, and fulfill responsibility for the future

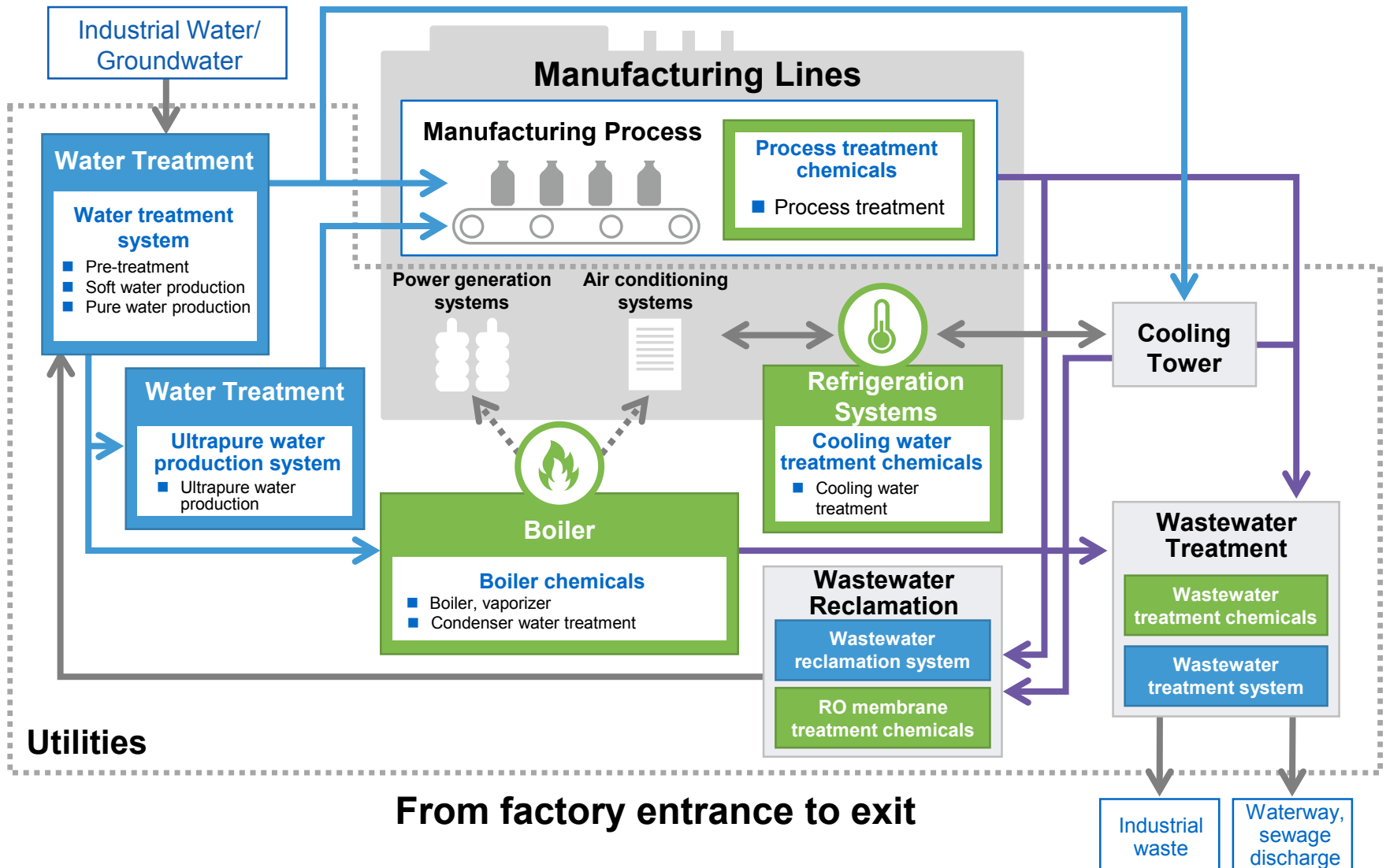
Basic themes

1. Provide highly safe services and products
2. Conduct fair business activities
3. Respect human rights

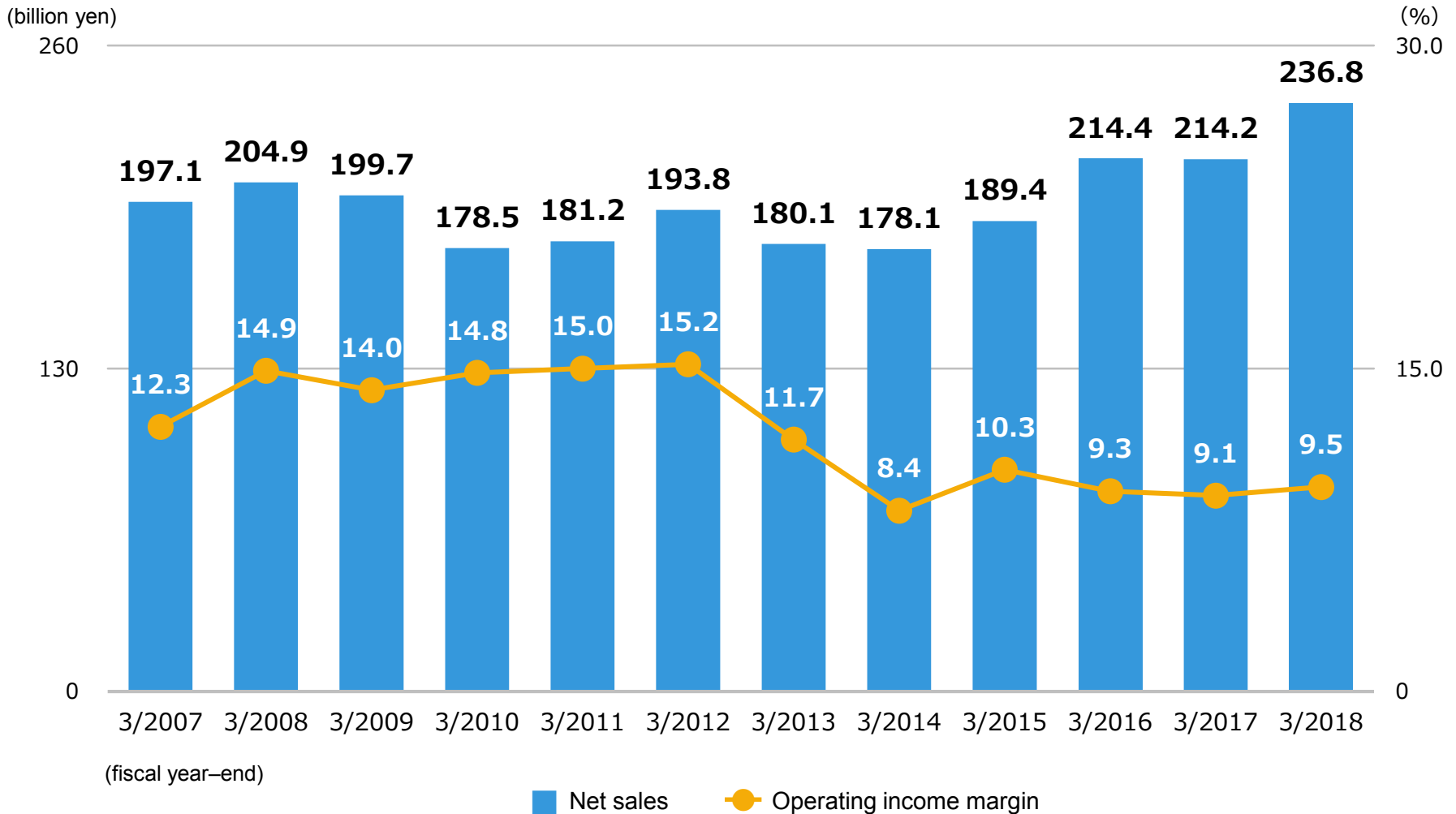
Growth opportunity themes

4. Solve issues related to water resources
5. Realize sustainable energy use
6. Reduce waste
7. Advance industrial production technologies

Kurita's Business Domains



Changes in Net Sales and Operating Income Margin



II | Medium-Term Management Plan MVP-22

Basic Policy

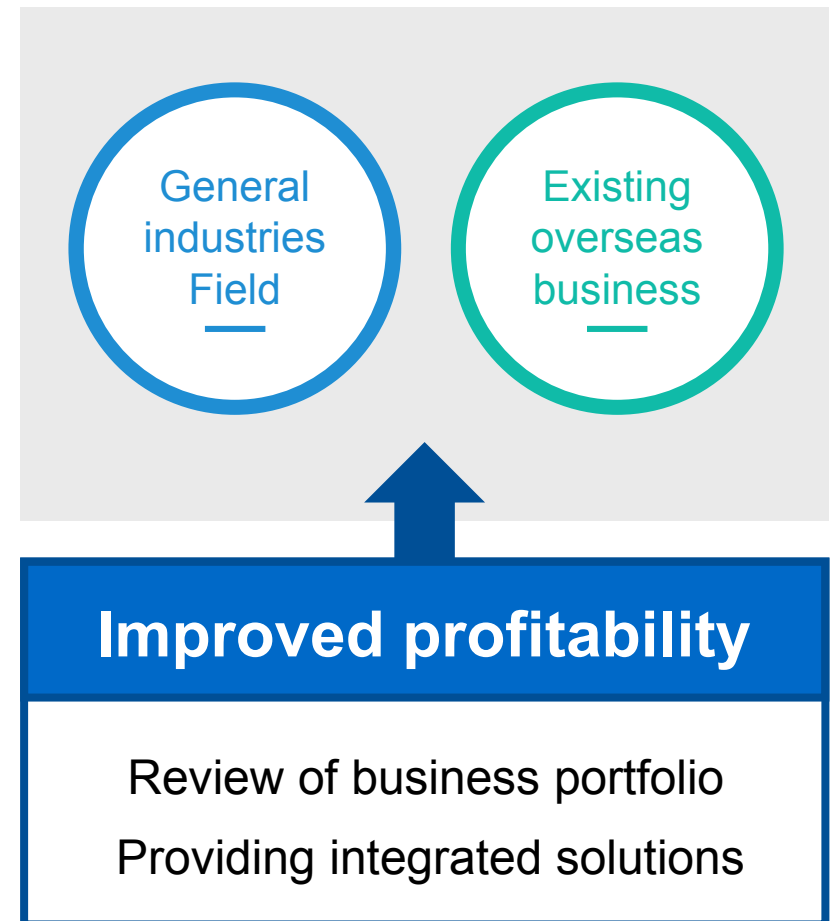
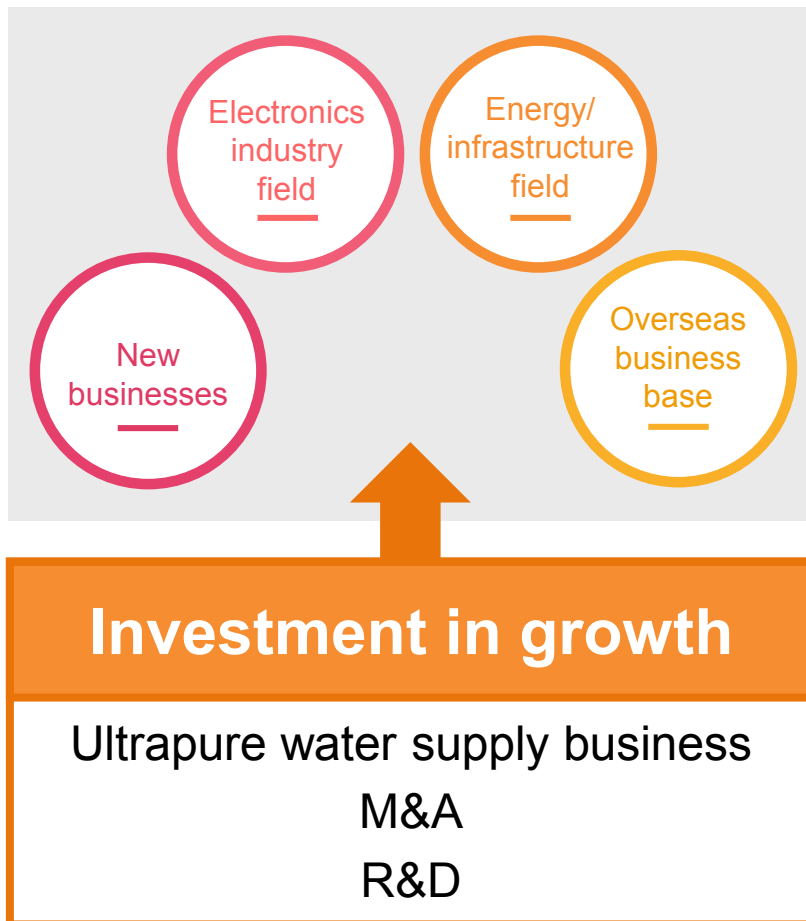
Maximize close relationship with customers by redefining preconceived ideas and dramatically raising the quality and speed of our work.

Priority Measures

- Development of CSV Business
- Rebuilding of plant production system
- Strengthening the foundation and promotion of research and development
- Enhancement of total solutions
- Creation of new business and the promotion of innovation
- Establishment of the Group governance system

The Two Pillars

The two pillars of our initiatives are investment in growth and improved profitability



Management Targets

Net sales organic growth rate

3 % or more

Operating income margin **15** %

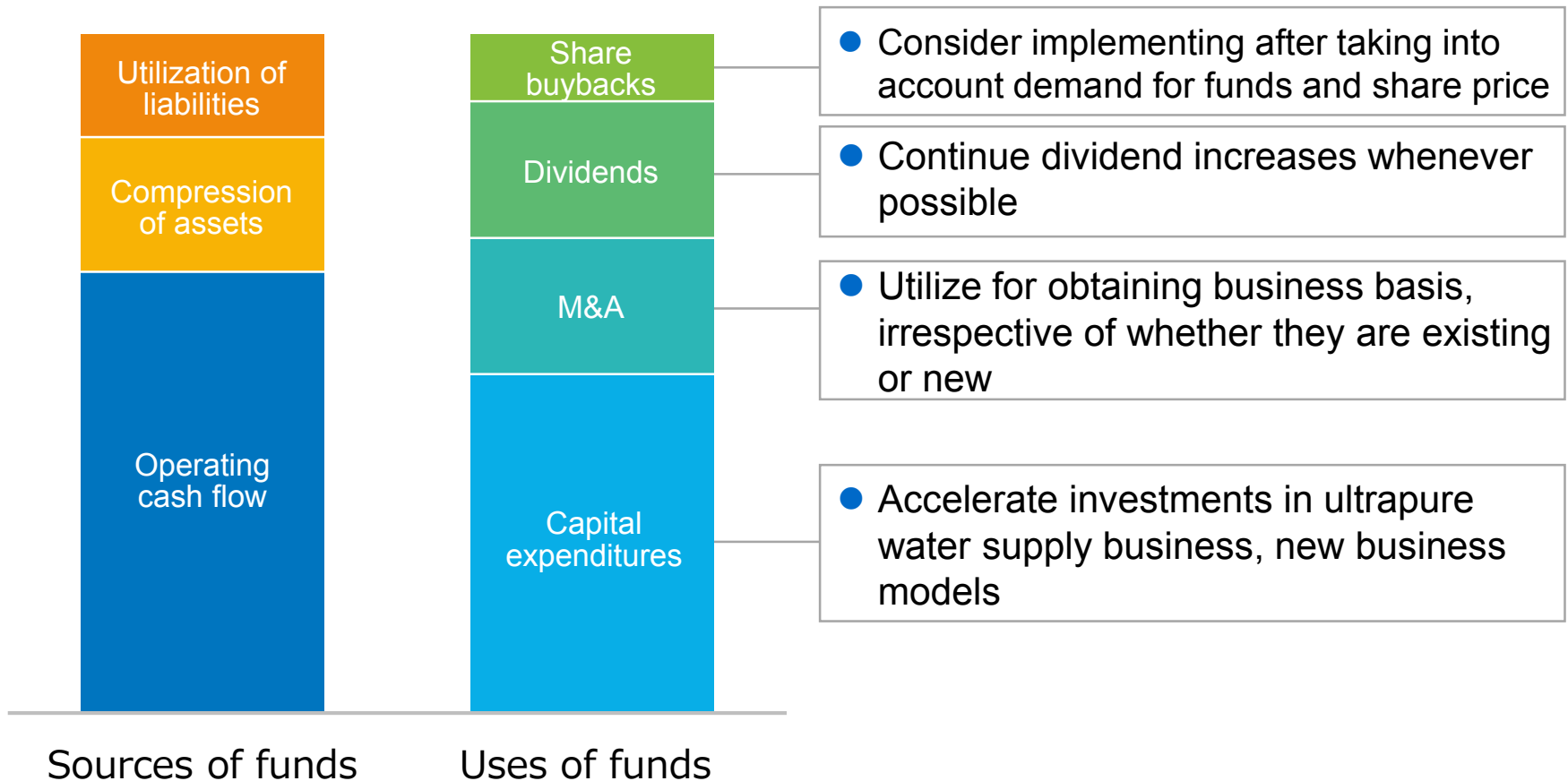
Return on equity (ROE) **10** % or more

Adoption of management using
return on invested capital (ROIC)

Measures

- (1) Expansion of the service contract business model for sharing created value
- (2) Creation of comprehensive contracts for maintenance and operations management originating from major EPC projects
- (3) Restructuring and downsizing of low-margin businesses and assets

Concentrated investment in growth fields, and efficient and effective use of capital



III Corporate Governance Initiatives of Kurita

Basic Concept

Corporate Philosophy

Study the properties of water, master them, and we will create an environment in which nature and man are in harmony

Establishment of Corporate Governance

Purpose

- Transparent, fair, prompt and decisive decision-making
- Highly effective management supervision

Sustainable Growth and Medium- and Long-Term Enhancement of Corporate Value

Respect for the rights and position of stakeholders and meeting their expectations

Customers

Business Partners

Employees

Shareholders/
Investors

Local Communities

Basic Policies (5 Items)

- (1) Ensuring the rights and equality of shareholders
- (2) Appropriate level of cooperation with stakeholders other than shareholders
- (3) Ensuring appropriate information disclosure and transparency of information
- (4) Duties of the Board of Directors and the Audit & Supervisory Board, etc.
- (5) Dialogue with shareholders and investors

Policies (16 Items)

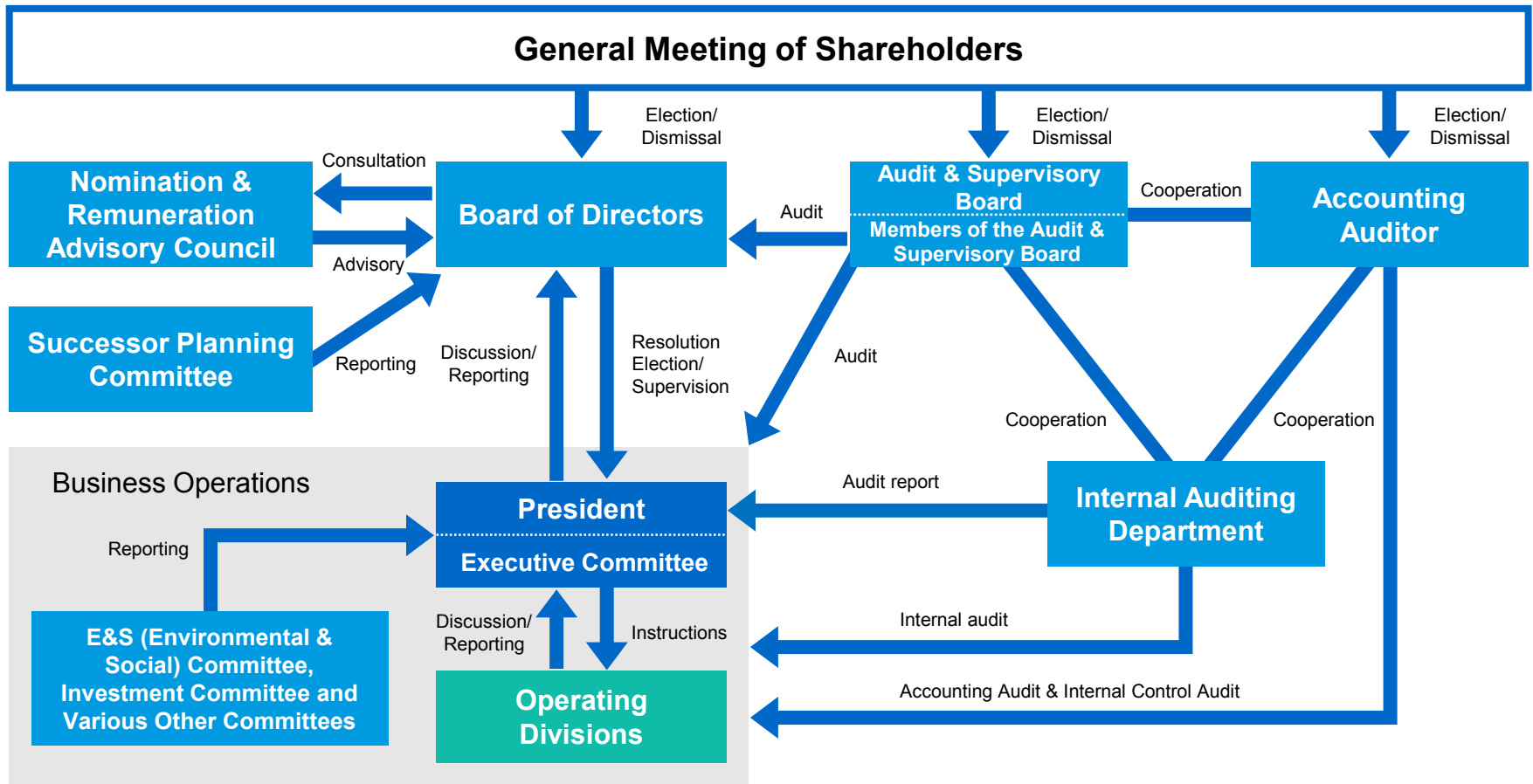
Policies were revised in FY2018 in conjunction with revision of corporate governance code

Major Changes

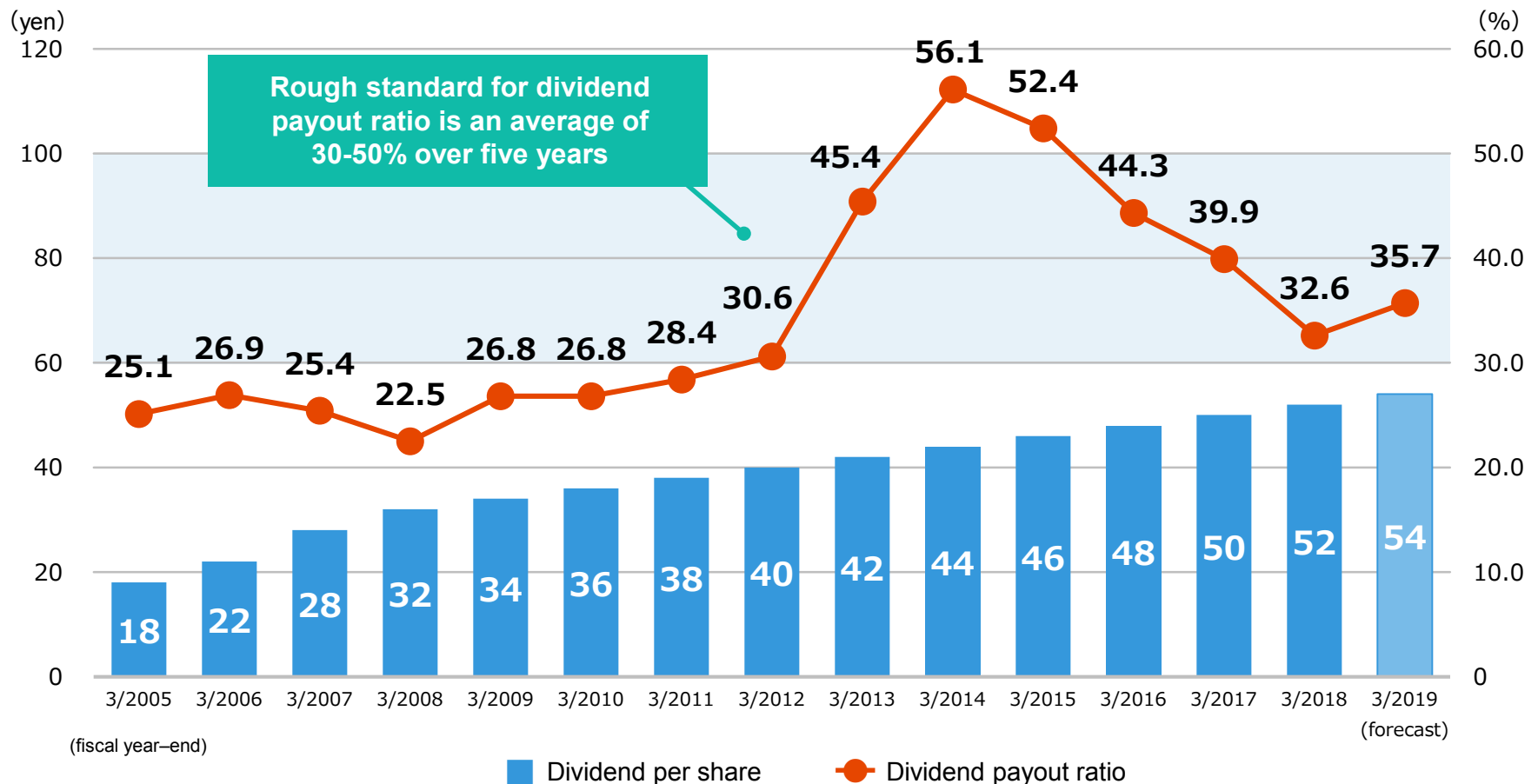
- Clarified policy on reducing shareholdings for policy purposes
- Clarified selection of a candidate for successor to the president and development of successor planning measures

Set up a new Successor Planning Committee

Company with the Audit & Supervisory Board



Dividends forecast to rise for 15th consecutive year



Size and makeup of the Board of Directors



The Board of Directors as a whole complements the necessary knowledge, experience and diversity for overall decision making

- Members: 12 (including 2 independent External Directors)
- Term: 1 year

Name	Water Treatment Chemicals/ Water Treatment Facilities		Corporate Planning	Finance/ Accounting	Legal affairs	Technology	Other
	Japan	Overseas					
Koichi Iioka	●	●					
Michiya Kadota			●	●	●		
Kiyoshi Itou			●	●	●		●
Takahito Namura	●					●	
Toshitaka Kodama	●	●					
Yoshio Yamada	●						
Hirohiko Ejiri	●	●	●			●	
Toshimi Kobayashi	●						
Yasuo Suzuki	●	●					
Yukihiko Mutou				●	●		●
Tsuguto Moriwaki (External Director)							●
Ryoko Sugiyama (External Director)							●

*1: This chart is based on information contained in Proposal 2 of the Notice of Convocation of the 82nd Ordinary General Meeting of Shareholders.

*2: Technology refers to R&D and manufacturing.

There shall be three or more Directors in total. At least two of these Directors shall be External Directors to ensure the independence and objectivity of the Board of Directors.

The effectiveness of the Board of Directors is analyzed and evaluated to identify the future issues

Implementation Method

Frequency	Once a year
Method	- Self-evaluation Discussion of written survey (with respondents identified) and tabulated results
Evaluation Items	(1) Board of Directors roles and responsibilities (2) Collaboration with External Directors and Members of the Audit & Supervisory Board (3) Board of Directors composition (4) Board of Directors operation (5) Contributions of individual directors and Members of the Audit & Supervisory Board (6) Dialogue with shareholders

Note: The evaluation of the Board of Directors for the period from January to December 2018 is currently underway.

Evaluation Results

(Period Covered: January - December 2017)

- Average of self-evaluations were generally good in all 6 items.
- Of these, evaluations of 4 and 5 were particularly high.
- Evaluations of 1 was relatively low, and evaluations by External Directors were particularly low.

Issues

- More in-depth discussion regarding the selection of successors to directors is necessary.

Measures

- Various measures relevant to the development and evaluation of successors to directors will be established in a systematic manner.
- Information regarding the election, retirement, and evaluation of successors to directors will be provided to the Nomination and Remuneration Advisory Council in advance, and the contents of deliberation at the Board of Directors meetings based on the report by the Council will be improved.

Continuous Board of Directors' Reforms



	FY2018 Initiatives	Expected Benefits
Management Oversight and Execution	Reform Executive Officer system <ul style="list-style-type: none"> • Change employment contracts to commission contracts • Change to compensation system similar to that for Directors 	Enhanced awareness of role as Executive Officer and improved operation execution
Director Candidate Selection & Training	<ul style="list-style-type: none"> • Set up Successor Planning Committee • Utilize external organizations • Review requirements for Directors and requirements for President successor 	<ul style="list-style-type: none"> • Improved objectivity in selections process and transparency in selection • Systemized training
Director Compensation	Review operational performance indices	Achievement of management goals
Providing Information and Training to Directors and Members of the Audit & Supervisory Board	Seminars by outside instructors 9 times On-site visits by External Directors 3 times External Director participation in internal committees total 11 times (April - December 2018)	<ul style="list-style-type: none"> • Acquisition of new expertise on management strategy for digital business, CSR, etc. • External Directors' deeper understanding of the Company's business and initiatives

Actively expressing opinions and proposals to Board of Directors

Term & Restrictions on Holding Concurrent Posts

- One-year term
- Allowed to serve concurrently at up to three listed companies, including Kurita

Activities

- Express opinions at Board meetings from a medium- and long-term perspective and proposals on improving governance, such as establishing an investment committee
- Discuss issues at the Nomination and Remuneration Advisory Council and the Successor Planning Committee
- Act as observer at internal committee meetings (E&S Committee, Solutions Business Committee, Safety and Hygiene Committee) and express opinions

Tsuguto Moriwaki

1967	Joins Kobe Steel, Ltd.
1999	Managing Director of Kobe Steel, Ltd. President and Representative Director of Kobelco Construction Machinery Co., Ltd.
2002	Executive Vice President and Representative Director of Kobe Steel, Ltd.
2004	President and Representative Director of Shinsho Corporation
2010	Adviser to Shinsho Corporation/Retires in 2012
2015 -	Director of Kurita (present post)

Board of Directors Attendance (2018.4 - 12)

10/11 meetings

Ryoko Sugiyama



1996	Establishes Sugiyama & Kurihara Environmental Consultants, Inc.; Representative Director of Sugiyama & Kurihara Environmental Consultants, Inc.
2007	Director of Sugiyama & Kurihara Environmental Consultants, Inc. (present post)
2010	Professor of Fuji Tokoha University (current Tokoha University)
2010	External Director and Audit and Supervisory Committee Member, LECIP Holdings Corporation (present post)
2015	External Director, UACJ Corporation (present post)
2017 -	Director of Kurita (present post)

Board of Directors Attendance (2018.4 - 12)

10/11 meetings

Effective Functioning of Members of the Audit & Supervisory Board

Attendance at Board of Directors meetings and active input

Name	Experience, Abilities, Expertise	Attendance (April - December 2018)	
		Board meetings	Audit meetings
Shiro Hayashi	Has held various positions of responsibility in R&D and administrative divisions; possesses substantial experience and expertise in technology and management issues, and has worked overseas.	11 / 11 meetings	8 / 8 meetings
Kenjiro Kobayashi  	Has had a distinguished career in fields separate from the Kurita Group; possesses highly specialized expertise in finance, corporate planning, new business development, and a wealth of experience in international business.	11 / 11 meetings	8 / 8 meetings
Shigekazu Torikai  	Possesses specialized expertise as a lawyer and a wealth of experience and insight into corporate legal matters.	9 / 11 meetings	7 / 8 meetings

- Members of the Audit & Supervisory Board attend meetings held by the Board of Directors, Executive Committee, E&S Committee and other important meetings while auditing Directors' execution of duties
- Support for Members of the Audit & Supervisory Board and cooperation with Internal Auditing Department
 - Head of Audit Office assists administratively to ensure members can properly perform audit work
 - Members direct audit staff as necessary for support work

Composition and Results of Nomination & Remuneration Advisory Council

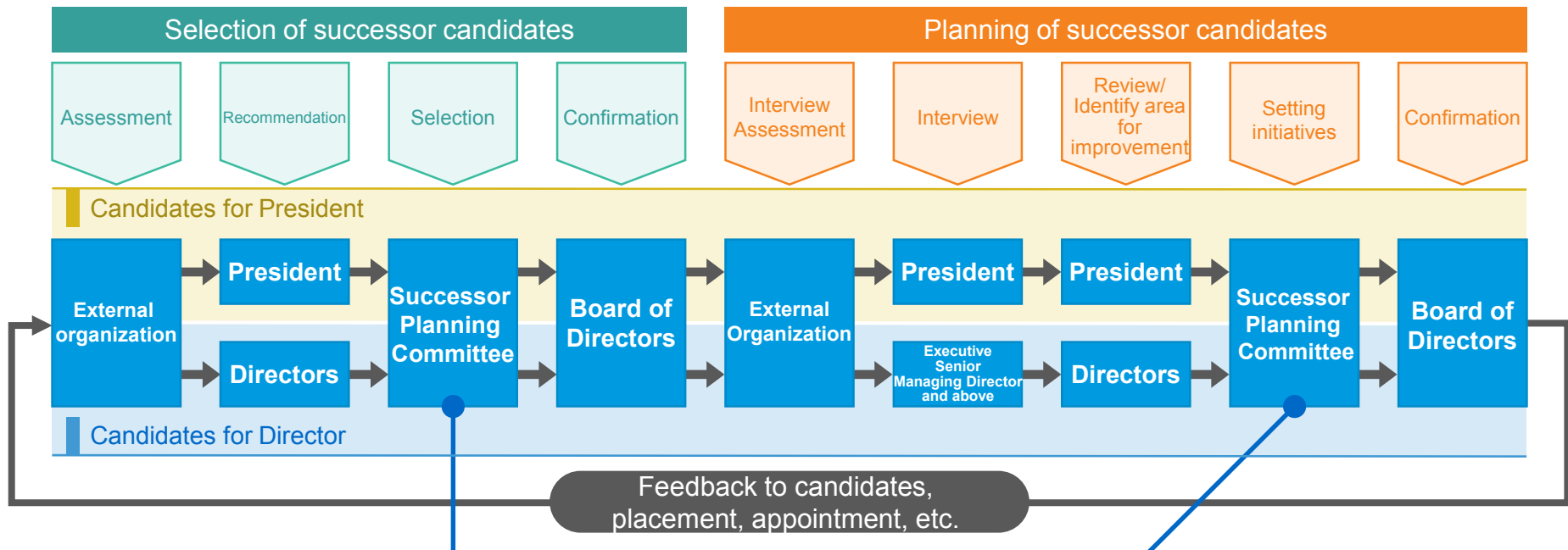


Council are chaired by External Directors and composed of mainly external officers

		Members	FY2018 Results
Nomination	Candidates for Director, Representative Director, and Director with special title	<ul style="list-style-type: none"> • 2 External Directors • Full-time external member of the Audit & Supervisory Board • President 	<ul style="list-style-type: none"> • Evaluated all candidates
	Candidates for member of the Audit & Supervisory Board	<ul style="list-style-type: none"> • Full-time external member of the Audit & Supervisory Board • Full-time member of the Audit & Supervisory Board • President • Executive GM, Corporate Planning Division • Executive GM, Group Administration Division 	<ul style="list-style-type: none"> • Evaluated candidates for member of the Audit & Supervisory Board
Remuneration		<ul style="list-style-type: none"> • 2 External Directors • Full-time external member of the Audit & Supervisory Board • President 	<ul style="list-style-type: none"> • Evaluated Director performance • Discussed appropriateness of compensation based on short-term incentives

Both Councils are convened once a year

Successor planning is systemized

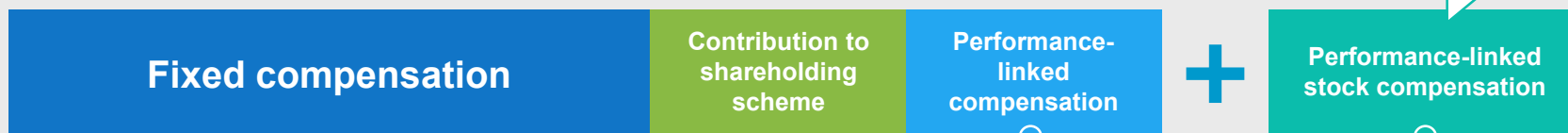


Members of Successor Planning Committee	
Issue	Members
Selection of candidates for President	Two External Directors and one full-time member of the Audit & Supervisory Board
Selection of candidates for Director; Setting initiatives for fostering successor candidates	President, Chairman, Executive Senior Managing Directors, in addition to above three members

Compensation System for Directors and Members of the Audit & Supervisory Board

Review director performance evaluation indicators to aim for achievement of management goals

(1) Directors (excluding External Directors)



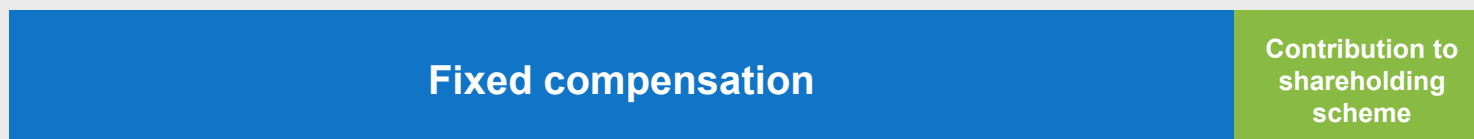
Evaluation Indicators

- Common ▶ Consolidated operating income
- President, Executive GM of Corporate Planning, Executive GM of Group Administration ▶ ROE
- Executive GM of R&D Division ▶ Ratio of projects completed, R&D investment efficiency (consolidated)
- Executive GM of Engineering Division ▶ YoY change in consolidated gross profit margin
- Executive GM of Solution Business Division ▶ YoY change in consolidated operating income margin
- Executive GM of Next Generation Business Division ▶ YoY change in division's consolidated net sales
- Executive GM of Sales Division ▶ YoY growth in division's consolidated sales and YoY change in consolidated operating margin

Evaluation Indicator

- Profit attributable to owners of parent

(2) External Directors, Members of the Audit & Supervisory Board



Roles and Achievements of the Investment Committee



Contributing to efficient discussions at Board of Directors

Roles		<ul style="list-style-type: none"> Review investments and financing to be submitted to the Board of Directors or the Executive Committee for deliberation Report results of reviews to Directors and Members of the Audit & Supervisory Board 	
Members		<p>Chairman Deputy Executive General Manager of Corporate Planning Division</p> <p>Members Executive GM of Group Administration, GM of Planning, GM of Accounting, GM of Finance, GM of Group General Affairs, Manager of Group Legal</p>	
FY2018 Activity (April - December 2018)	Meetings	14	
	Cases reviewed	Investment, M&A	9
		Capex projects	6
		Borrowing, funding	3
Corporate establishment, etc.		3	
Business sale		1	
		total 22 projects	
Results		Improved discussions at Board of Directors and Executive Committee; accelerated submission of approval request and enhanced activity	
(Reference) Investment standard		Hurdle rate calculated at: [capital cost (estimated at less than 8% + Risk premium for each project)]	

Shares owned for Policy Purposes



Shares sold to raise capital efficiency, consistent with policies in Medium-Term Management Plan

Policy		<ul style="list-style-type: none"> • In some cases, Kurita Water Industries Ltd. holds listed shares as shares owned for policy purposes to strengthen business relationships, etc. • When holding such shares, the Company makes efforts to minimize the risk of holding shares owned for policy purpose. The propriety of holding each individual stock owned for policy purpose is reviewed at the Board of Directors. Based on the results, the Company aims to reduce the holding of shares owned for policy purposes.
Review of holdings	Frequency	<ul style="list-style-type: none"> • Once a year and as necessary
	Standard	<ul style="list-style-type: none"> • If the total of the business profits and the dividends received fall short of expectations for 5 consecutive years • Occurrence of a scandal, etc.
Sales	FY2017	<ul style="list-style-type: none"> • Sold 9 out of 46 stocks
	FY2018 (Apr.-Dec.)	<ul style="list-style-type: none"> • Sold 15 out of 37 stocks (some were partial sales)

Disclosure Policy revised in tandem with introduction of the Fair Disclosure Rule

Main Changes

1. Clearly stated the purposes of information disclosure
2. Clearly stated the handling of material information subject to the Fair Disclosure Rule
3. Clearly stated the systems in place to ensure fair information disclosures



Ensure fair and timely information disclosures to investors in an environment where all investors can make transactions with peace of mind, while also preventing a decline in information disclosure by going too far to ensure fairness.

(Reference)

Efforts for Dialogue with Shareholders/Investors



New Initiatives in 2018

Produced notice of convocation in color, Added more information
(published together with shareholder report; added candidate photos, graphs, etc.)

Provided more English-translated information in notice of convocation

Previous Key Initiatives

Results briefing for institutional investors (four times a year)

Implementation of roadshow overseas (two times a year)

Early forwarding of the notice of convocation

June 1999-

Adoption of ICJ, Inc.'s platform for electronic exercise of voting rights

June 2006-

SR visits

November 2011-

Preparation of the notice of convocation (reference materials) in English

June 2013-

Preparation of English translation of CG report

October 2016-

Quick disclosure prior to notice of convocation

June 2016-



Forward-looking Statements

The plans and values contained in this document are decided based on information available at the present time. They contain risks and uncertainties, and therefore may differ from actual results.